



Special Notice

WASHINGTON STATE DEPARTMENT OF REVENUE

September 27, 2013

Dairy Product Manufacturer's B&O tax exemption and preferential B&O tax rate expanded

Summary

The business and occupation (B&O) tax exemptions provided by [RCW 82.04.4268](#) to manufacturers of dairy products were expanded effective October 1, 2013, to include wholesale sales by the dairy product manufacturer to a purchaser who uses the dairy products as an ingredient or component in the manufacturing in Washington of another dairy product. These exemptions expire July 1, 2015.

However, the B&O tax exemptions will be replaced with a reduced a B&O tax rate of 0.138 percent provided to dairy product manufacturers under RCW 82.04.260(1)(c) effective July 1, 2015. This statute has also been expanded to include wholesale sales by the dairy product manufacturer to a purchaser who uses the dairy products as an ingredient or component in the manufacturing in Washington of another dairy product. The reduced B&O tax on these types of wholesale sales to other dairy manufacturers in Washington applies to wholesale sales made before July 1, 2023.

What the exemptions provide

The law provides an exemption from:

- the manufacturing B&O tax on the value of products sold by dairy product manufacturers, or
- the wholesaling B&O tax for those products manufactured and sold by the manufacturer at wholesale to a customer that transports the product outside this state in the normal course of business, or
- the wholesaling B&O tax for those products manufactured and sold by the manufacturer at wholesale to a customer who uses such dairy products as an ingredient or component in the manufacturing of another dairy product in Washington (effective October 1, 2013).

"Dairy products" means:

(A) Products that as of September 20, 2001, are identified in 21 C.F.R., chapter 1, parts 131, 133, and 135, including by-products from the manufacturing of the dairy products, such as whey and casein; and

(B) Products comprised of not less than seventy percent dairy products that qualify under (A) of this subsection, measured by weight or volume (effective October 1, 2013).

Documentation for exempt wholesale sales by manufacturer

A manufacturer taking an exemption for wholesale sales under the second or third bullets above must keep and preserve records for up to five years that establish that the goods were:

- transported by the purchaser in the ordinary course of business out of this state, or
- sold to a manufacturer in this state to produce another dairy product for sale.

A letter from the buyer stating this fact is adequate documentation in combination with a copy of the buyer's valid reseller permit.

Annual Tax Incentive Survey required

All businesses claiming the exemptions and subsequent reduced B&O tax rates are required to electronically file an Annual Tax Incentive Survey by April 30th of the year following the year the exemption or reduced B&O tax rate were claimed ([RCW 82.32.585](#)). For example, if you claim the B&O tax exemptions in 2013, you must file an annual survey by April 30, 2014.

To file a survey, go to our website at dor.wa.gov and login. If you don't have an online account with Revenue, click on Join Now and follow the prompts. Once you're logged in, click on Credits & Tax Incentives, then File Tax Incentive Survey/Report and complete the survey.

Further information

For further information, see [ESSB 5882, section 2](#) (Chapter 13, Laws of 2013, 2nd Special Session)